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NEW MONETARY THEORY.

**THE ABSOLUTE DEPRECIATION
OF GOLD DEMONSTRATED**

TO THE EXTENT OF 50 PER CENT;

THE

**PREVALENT MONETARY THEORY
OVERTURNED;**

THE

**TRUE NATURE OF MONEY
DEFINED;**

BY

**THOMAS GALBRAITH,
PORT HOPE, C. W.**

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"the reconstruction of things. I strike for a New World."**

WALT WHITMAN.

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ENTERED, according to the Act of the Provincial Parliament, in the year one
thousand eight hundred and sixty-three, by THOMAS GALBRAITH, in
the office of the Provincial Registrar of the Province of Canada.

PREFACE.

The Gold question, as discussed lately before the British Association, bears entirely upon that of Gold in relation to the prices of commodities—that is, on the **RELATIVE** depreciation of Gold merely.

Political economists, it appears, continue to puzzle themselves in a direction which will lead to no satisfactory result.

In the following pages I propose to discuss and demonstrate the immense depreciation of Gold as a *metal*—that is, the **ABSOLUTE** depreciation of gold.

On this view of the question, as some may yet have to learn, hang the most momentous interests that have ever affected the commercial world.

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PRELIMINARY REMARKS.

That period has arrived when a radical change must take place in the commercial and industrial systems of the world. The chrysalis approaches to its freedom. The intelligent head and skilful hand of labour will no longer be satisfied to be hampered by this huge abortion of a *monetary system*. Real value is restive under the heel of fictitious value, and will assert its prerogative.

Nothing short of the reorganization of industry, and distribution of wealth, will satisfy the onward progress of the times. Order, hope and harmony will be infused into the human heart; and the immense waste of human power and life, incident to the jarring elements which now prevail, must ere long cease.

No thinking individual can regard, with unconcern, the immense accession of gold, to the currency of the world, from the mines. Adam Smith was partially aware that if gold should be found in large quantities it would unfit it as a medium of exchange; but the father of modern political economy who displays such rare penetration and judicious judgment in the treatment of every other department of that science—of Labour, Value, Capital &c., seems strangely to have overlooked the importance which the enquiry into the *nature* of money necessarily bears to the economy of trade.

Commentators upon Smith have added nothing material to what he has said upon money and its uses. Mill and McCulloch, adopting without enquiry the opinions of their great teacher, have simply given currency to the errors contained in the Wealth of Nations upon this subject, and have done their part to perpetuate those errors. In fact I do not hesitate to say that the dead level of all writers subsequent to Smith is not relieved by a single sensible idea upon the *nature* of money.

The only instances upon record of an attempt to prove the depreciation of the precious metals is that by Adam Smith, at least I should say that it is the only instance which writers refer to with confidence as an argument. Book 1st, chap. 9, contains an elaborate argument to establish the following conclusion which I extract from the Wealth of Nations :
 " From about 1570 to 1640, during a period of about
 " 70 years, the variation in the proportion between
 " the value of silver and that of corn, held a quite opposite course. Silver sunk in its real value or
 " would exchange for a smaller quantity of labour
 " than before, and corn rose in its nominal price,
 " and instead of it being commonly sold for about
 " 2 oz. silver the quarter, or about 10s. of our present
 " money, came to be sold for six and eight ounces of
 " silver the quarter, or about 30s. and 40s. of our present money. The discovery of the abundant Mines
 " of America seems to have been the sole cause of this
 " diminution in the value of silver in proportion to
 " that of corn.

" It is accounted for accordingly in the same

"manner by every body and there never has been
 "any dispute about the fact or about the cause of it.
 "The greater part of Europe was, during this period,
 "advancing in industry and improvement, and the
 "demand for silver must consequently have been
 "increasing, but the increase of the supply had, it
 "seems, so far exceeded that of the demand that the
 "value of the metal sank considerably. The dis-
 "covery of the Mines of America, it is to be observed,
 "does not seem to have had any very sensible effect
 "upon the prices of things in England till after 1570,
 "though even the Mines of Potosi had been dis-
 "covered more than 20 years before."

Here it is argued and that upon very narrow
 grounds indeed, (as any one may satisfy himself by a
 perusal of the whole chapter) and by a reference to
 the price of corn *alone*, which is the product of the
 commonist kind of labour, that a decline in the value
 of silver took place, occasioned by the influx of that
 metal from the American Mines. I need only ask
 in reply, what would be thought of that writer who
 should hazard an opinion respecting the value of
 gold, at the present time, based solely upon the price
 of wheat? Clearly Dr. Smith takes into considera-
 tion too few instances.

A decline in the value of money by the influx of
 gold, for example, could not be accounted for, in my
 opinion, by the rise in price of any single commodity
 but by the simultaneous rise in price of every pro-
 duct of human labour measurable by gold.

But again, supposing that the reasoning of Dr.
 Smith established the fact of a decline in the value

of silver, as money, under the circumstances referred to, it would not prove a decline in the value of the metal, but would simply indicate a decline in the value of money, that is to say, the measure of a decline in silver or gold, as money, could not possibly be more than a measure of the *relative* decline of the metal, but could not be a measure of the absolute decline of the metal.

The care with which Dr. Smith expresses himself in this extract, and indeed throughout the entire chapter, is apparent; he compares the *weight* of silver with the measure of corn, thinking, of course, that such a comparison—leaving out of view the price of silver—would lead to a true and valid conclusion regarding the actual decline of the metal, because a greater weight of silver was required to purchase a quarter of corn.

Dr. Smith might just as well have used the *price* of silver as the *weight* of silver in his comparisons, although he evidently was not aware that they were one and the same thing, because the price of silver was the mint price, and it was just as *constant* in its value as was the weight.

It just amounts to this, if his argument proved anything at all, which I doubt, it proves a decline in the value of money at that period, not at all what he thought by his care to do, prove a decline in the value of the metal.

The metal has been taken out of its sphere as a commodity by the mint price of £3 17s. 10½d. oz., and as a metal, therefore gold is not subject to the law of supply and demand as any other commodity.

Consequently all writers on this subject, from Adam Smith down to the present time, have not only been astray, respecting the fact of a decline in the precious metals from an unusual influx, but they have been wrong in the very direction of their enquiries, that is to say, in ever supposing that an *absolute* decline in the value of gold can be arrived at by such a process of argument, so that in respect of gold, at the present time, there exists, coincident with an unusual and unprecedented influx from the mines of California, Australia, British Columbia and other places, there exists, as every one knows at this moment, lower prices for Real Estate, and also for every commodity excepting those affected by the unnatural war now raging in the neighbouring Republic.

In short the precious metals must be looked upon in a two-fold aspect : firstly, as metal ; secondly, as money ; and to a confounding of these totally different natures, characteristics and functions, may be traced all the confusion of thought and apparent mystery which have puzzled every writer upon this subject.

From the earliest times gold and silver have been adopted as money—as media of Exchange—and previous to their appearance in coin they passed from hand to hand by weight.

The early history of trade is one of barter. Exchanges were all of a domestic character, and those chiefly consisted of contracts completed on the instant, or what we would call cash transactions.

Under such circumstances the precious metals

naturally became and actually were the best substitutes for money that could have been adopted.

But as transactions grew more complicated, and the field of commerce gradually assumed a more varied and intricate character; that the same rude substitute should still be continued as the only available instrument of Exchange is to my mind unaccountable, considering the advancement of civilization, science and enlightenment.

Modern trade does not date further back than the discovery of America. Nay, even since the adventurous Drake encircled the globe, has the sun of British commerce rayed out its beams to every part of the world.

Foreign commerce gradually made London the great centre of trade. This market, one of the wonders of modern times, has assumed the enviable privilege of appraising, valuing and marking the price upon every commodity on the face of the earth. Every product of human labour gravitates towards London for a customer. This is the Umpire which settles every dispute about value. It may therefore be said with truth that what this great people does not want has no value.

The toys and more serious products of the ingenuity of Germany—The manufactures of France and continental Europe—The manufactures and products of India and China—The natural wealth of Africa and of the new worlds of America and Australia—The curiosities of every locality, the commodities of every zone and climate are submitted to its decision. The very laws and literature, nay, even the very

debts of all nations escape not the scrutiny of the English market. Among all these there is but one exception. The London market has *yet* to put a price upon gold.

From the establishment of the East India Company, or rather that of the Bank of England in 1694, this complex system of things called modern commerce takes its rise. This institution inaugurated the mode of doing business, not upon the capital possessed, but upon the stock disposed of, and coining its credits into money it commenced operations.

The origin of paper money dates from this period, and whatever good or evil this powerful agent may have been the means of affecting may safely be placed to the credit of the Bank of England. Although it must be admitted that this institution, since Sir Robert Peel's Restrictive Act of 1844, has been made as perfect and as reliable in its character as any Banking Institution can be. To it also may be traced the origin and augmentation of the national debt of England. It called into existence that huge series of organised Debts called Stocks, Funds, Shares, which characterise the present age.

What with Debts Funded and Unfunded, Redeemable and Unredeemable, Consols, Exchequer Bills, Stocks, India Stocks, Bank Stocks, Railway Stocks, Navigation Stocks, Mining Stocks, Shares, Bonds and Stocks of innumerable Companies, a faint idea of them may be formed by a reference to the *Times*, or *London Economist*.

All moveable property is put into notes, payable

or receivable, nay, even fictitious property is coined into bills. There are Bank Bills or Notes, Rents, Mortgages, Annuities, Loans, and debts of every conceivable description, in fact the whole commercial world is afloat upon paper, all payable in the *substance or texture of the measure of value*, GOLD. All payable in gold or in currency redeemable in gold. The accounts of the world are kept in gold. The debts of the world are payable *only* in gold ; gold is the ultimate payment. All this complex system of things is hinged upon a piece of shining metal and is literally at the mercy of the individual who can approach to the true market price of *one ounce of gold* ! This is the humiliating position into which our boasted system of political economy hath lodged us.

Only think, that the *value* of all this stupenduous gold system is gradually melting away under the pick of the industrious miner, nay, even has already, like the serpent, escaped and left us to amuse ourselves with the skin.

THE QUESTION STATED.

Let us now attempt a fair statement of the question at issue.

The money of Great Britain and Canada, what is it ? The legal tender, that is money, and that only. Silver, to the extent of 40s. on a payment, is a legal tender, but gold is a legal tender to the extent of any contract, and unless otherwise specified a creditor is bound to accept payment in gold.

All obligations in Canada are made payable in currency, that is, either in Coin or in the Notes of Chartered Banks; and let it be understood that whatever legal rights Government may grant to Banks, or, on the other hand, in whatever light Banks may regard these rights granted by government, one thing is certain, that all Notes issued by the Banks in Canada are made payable to bearer, on demand, in gold or silver to the extent stated, so that all Bank Notes in Canada are liable for gold, and therefore circulate on a par with gold.

I take Mr. McCulloch's definition of the nature of money to be the one universally accepted by England, Canada, and the neighbouring Republic.

"The exchange of a quarter of corn for an ounce of pure unfashioned gold bullion is undeniably as much a barter as if the corn was exchanged for an ox or a barrel of beer; but supposing the metal to be formed into a coin, that is impressed with a stamp indicating its weight and fineness, that circumstance would evidently make no change in the terms of the barter. Coins, instead of being in the same light as bullion or other commodities, have been regarded as something quite mysterious; they are said to be both signs and measures of value. Gold and silver do not measure the value of commodities more than the latter do gold and silver. The quality of serving as a measure of value is therefore inherent in every commodity; but the slow degrees by which the metals change their value render them peculiarly well fitted for forming a standard by which to compare other and more variable articles. Divi-

sibility is not the only indispensable quality in a commodity as a medium of exchange; it should admit of being kept for an indefinite period without deteriorating; that it should, by possessing great value, be easily carried about."

"The desire of uniting the different qualities of invariability of value, divisibility, durability, facility of transportation, and perfect sameness, doubtless formed the irresistible reasons which have induced all civilized communities to employ gold and silver as money."

According to this definition, I take it as being understood that (an oz. of gold being worth £3 17s. 10½d., stg.,) the quantity of grain, which at the present market price, £3 17s. 10½d. will purchase, is only equal in real value to an oz. of gold. Also that the function of money is to exchange one commodity for another, for example: a labourer works to a farmer for money, with that, he purchases a suit of clothes from the tailor, that is, in fact, he gives his labour for the suit, the money being simply a medium of exchange; nevertheless the money is necessarily considered as equal in real value to the labour on the one hand or the clothes on the other.

Preliminary to stating our views let us endeavour to form some estimate of the amount of the precious metals that have gone into the circulation. It is allowed that no reliable opinion can be formed of the amount on hand at the discovery of America. Humboldt, who is considered the best authority, says that from 1492 to 1803, during 311 years, not less

than 5636 millions of dollars was received from the mines of America. McCulloch and others estimate the amount received from all the mines of the world since that period to 1857, at about 3,000 millions of dollars; from that period to the present I have no reliable estimate.

Although few substances in nature are more durable than silver and gold, yet great deductions must of course be made for loss by fire, water, wear, &c. Yet after the most liberal discount, the amount of the precious metals in the civilized world, at the present time, must be sufficiently appalling I should think, to stagger the most obtuse business man. The commercial man, sensitively awake to the changes continually going on in the market, caused by a deficiency or excess of supply in any of the commodities, is perfectly confounded by the anomalous nature of gold in this respect.

It may well be asked, where does it all go to? The immense weekly supplies, we trace to the mint, but after that we seldom get a glimpse of it. Yet what sane man can doubt that it still exists and may possibly be circulating in some channel where it cannot miss but commit fearful ravages with this system of things.

Like the river Lethe it decends under the earth, and after winding its devious way in darkness, may yet burst its subterranean banks and come to light. After the most careful consideration we can give this subject, and looking at it on every side, turning it over in every light, weighing it measuring it, comparing it with all the standards within our

reach, and testing it by all the talismans within our power—with a determination to pluck out the secret of the mystery, we arrive at this conclusion, startling as it may at first appear—that *every ounce of gold in the world, over and above what is required by the legitimate demands of the arts, is valueless.*

THE PROBLEM SOLVED.

A definite understanding of the nature of value is of the first importance in this enquiry. The scale of human uses is of immense range in civilized society. The barbarian used iron only to make a hatchet or point a spear, but now its uses are enumerated by thousands. The uses of society may be designated as common, practical, luxurious, fanciful, whimsical. Nevertheless, they all have a price, and the more rare, often the greater this is.

Utility is that in a commodity which qualifies it to suit the uses of society. Utility is then the criterion of value. A commodity cannot be valuable unless it is useful, if it is not useful it is said to be valueless—that is, it cannot be a commodity in fact. Then value is based upon utility and upon that alone. Iron, Wheat, Cotton, Lead, Gold, Salt, have utility, and therefore value. Labour is that which multiplies value and the product is the market price. But let it be observed that the labour which brings a commodity to market does not always coincide with the amount of labour which that commodity already in the market will purchase. The latter is truly the market price.

When trade is free the market is governed by two opposing principles, the interest of the buyer and the interest of the seller ; and if a commodity happens to be above its real value it cannot long remain so, the operation of opposing self interests will duly regulate it. Then the commodities, Iron, Wheat, Cotton, Lead, Gold, Salt, have utility and also price, and that is regulated by the demand.

Gold therefore is a commodity and has its uses in the arts. Who would like to dispense with gold watches, gilded furniture and jewellery in all its variety ? Its decorative influence is a symbol of wealth which is generally coveted.

Gold has also value, and that founded upon its uses alone, therefore it brings its price. But again it is quite easily conceivable that the uses of all or any of the above mentioned commodities may happen to be fully supplied, so much so, that there might exist a large overplus after supplying every want. At what price should this be estimated ? Clearly it is valueless.

Gold is exactly in this condition. The arts are fully supplied, and there still exists over and above the demands of the arts an immense quantity in the circulation and vaults of Banks throughout the world, as money and its basis. This it must be understood is clearly an overplus, or it would not remain there. Of what use or value can it be ? That is the question. I do not hesitate to draw the conclusion. All the gold in the circulation and in the vaults of Banks, in bullion and coin as money, is valueless. What ! it may be said in reply, can

gold which moves the wheels of trade, and stimulates the energies of commerce both by land and sea, which builds up individual and national wealth, which has been considered since the dawn of civilization as the blood of industry in times of peace, and in revolutionary times as the sinews of war, can it be thought or said to be without utility, and valueless ?

This interrogatory involves a fallacy ; erase the term *Gold* and substitute *Money*, then you will be putting the unanswerable question, because it is *Money* and not *Gold* that effects all these results by its mighty agency. But again substitute any other commodity in place of gold, say leather or molasses, and only see how it reads. It would be perfectly ridiculous.

Gold must be considered in a two-fold aspect, as performing the separate functions, of, on the one hand, supplying the arts, and on the other, but in a far greater degree, affording the commercial world an instrument of exchange, a mediator in every bargain, a measure of value, which is universally believed to be equal in real value to either term of the bargain ; this is inferred from the fact that all future payments are made in the substance of the measure of value.

Brilliant idea this, certainly—that of coining the refuse of the precious metals into money—and that the value of that very refuse should govern the value of all the gold and silver made into jewellery, plate, and useful articles ; nay, further, that it should, by legal enactment, be constructed into a measure

or guage to build up debts with, that have obstructed in a *hideous* degree the expansion of trade and the onward progress of the age. This is the most brilliant absurdity that has ever defaced the history of the human race.

This is the anomalous position which gold occupies—as a commodity, and—as money; it is this which has puzzled the commercial world and has heaped upon the heads of the present generation the confusion of centuries.

Let us now consider gold as a measure of value. Adam Smith remarks, that “Princes and Sovereign States have frequently fancied that they had a temporary interest to diminish the quantity of pure metal contained in their coins; but they seldom fancied that they had any to augment it.” Long before the Christian Era, this applies to Roman and other Rulers: but it is sufficient, for the present purpose, to confine our remarks to that portion of history dating from the Conquest.

From 1066, to the present time, we have a reliable account of the mint prices of the metals.

At that early period a pound weight of silver was coined into 20s., but during the 750 years following, the mint price of silver had been adjusted not less than 13 different times, increasing the number of shillings, until in the Reign of Geo. III. it was finally settled at 66s. to the pound of silver.

The coining of the oz. of gold likewise has suffered a similar change. The mint price has undergone no less than 24 successive alterations since the Reign of Edward III; an oz. of gold was then worth

20s. 10½d. but by gradually increasing the number of denominations it was at last settled, in 1816, at 77s. 10½d. In Scotland, during the same period, the nominal value of 1 lb. of silver was increased 40 fold, and in France even to 72 fold. Thus it is clear that the mint price is simply an arbitrary value and must bear a very different interpretation from that of the modern economists.

The fallacy contained in the extract taken from the *Encyclopædia Britannica*, on Money, that an oz. of unfashioned gold bullion and an oz. of gold, coined into *value*, are one and the same thing in commerce, is affirmed by the writer, Mr. McCulloch; but I answer that no two things are so widely different, since one is made money and the other is left a commodity. There would be no difference provided that the *market price of gold could neither rise above nor fall below the mint price*; but supposing that the arts should make such a demand upon the circulation as to withdraw it from the Banks, a circumstance which could not happen at the present time, it would immediately rise above the mint price and vindicate their totally different natures. An ounce of unfashioned gold would either buy more corn than the coined ounce, or the mint must stamp it with a higher value.

The mint by making gold a measure of value, absolutely interferes with and puts gold out of the market as a metal. Subject to the mint price it is no longer in the category of commodities; what is affirmed or denied of commodities can no longer be applied to gold in this condition.

But again, nothing can be more delusive than that idea which economists have universally entertained—that the durability and invariability of gold in value are peculiar to that metal. Government may, by making iron a measure of value, say at 5s. an ounce, make it as constant as gold has apparently been. Nay further, rancid butter may, by the same process as gold is, be made as durable and as invariable in value, simply by enacting that it be held at 1s. 3d. per lb. as a measure of value.

The mint price, £3 17s. 10d $\frac{1}{2}$., simply creates another customer, and brings him into competition with the arts for the gold which may be taken from the bowels of the earth. Ever since an arbitrary or nominal value has been put upon the precious metals by Princes or Governments, this competition has been kept up by the demands of the arts on the one hand, and of the measure of value on the other. And with unabated zeal have their demands been responded to by the opening and working of numberless mines of silver and gold, employing not less than a million of miners.

Again the arts, as a customer, has been *outbidden* by its more powerful opponent the mint. Otherwise I hold it questionable, that had the field been free to the arts alone, that gold would at the present day have been worth *one dollar an ounce*.

Supposing that the commercial world should have had the good sense from early times to have adopted another and less expensive instrument with which to measure the value of commodities, and that the arts should have been the only customer that the gold

and silver mines had ; under such circumstances, any business man must see that competition would have been less fierce and the market a *good deal quieter*. But as it is, the arts being the weaker opposing candidate of the two for gold, she is obliged, although greatly against her will, to pay £3 17s 10½d in labour for every ounce of gold she makes into watches, rings, &c.

It is thus seen how the mint has effectually shut out from the estimate of the market, gold as a metal, and of course the market declines to put any price upon it until it is offered for sale.

Let us now see in what relation gold as money, bears to gold as a commodity.

The *value* of gold as a metal is based upon its utility. But on the contrary, the *utility* of gold as money is based upon its value. Here is a singular contrast.

A commodity is valuable because it is useful. Gold, as money, is useful because it is valuable ; that is, it is useful, because it is *supposed* to have the very quality which is disputed. Nay, which it has been proved that it has not, still it may have a nominal value, if you will, the mint value.

Take an illustration ; according to prevailing theories, any commodity may be made a measure of value. The propriety of making wheat a measure of value, was discussed by the French at the Revolution ; I don't say how they would manage it, but let us treat it as we now do gold. Suppose then, that at the time wheat was adopted as money, it brings the market price of one dollar a bushel ; no sooner

does the mint make it a measure of value than an additional demand springs up for wheat as money ; and suppose, as is the case with gold, that there is quite sufficient productive power in the country to furnish this supply, it never rises above the mint price of one dollar, because, according to the supposition, there is enough to supply the demand as a breadstuff as well as the demand as money. The vaults of Banks would be filled by this basis of money, and of course paper would be issued as usual but upon wheat for a basis ; the demand for it, as a breadstuff, being fully supplied. Let any one ask himself what would be the value of all those millions of bushels of wheat stored as money, cut off as you see from the estimate of the market, though it should retain all its natural qualities to perfection ? Clearly not one cent. It does not, on this condition, supply the wants of a single human being ; the market being fully supplied with it as a breadstuff, therefore all that is overplus is valueless ; but it may be said, throw it into the market and it will bring its value ; true, but certainly not as much as a dollar.

Suppose, further, that the quantity held for consumption was $\frac{1}{3}$ of the whole, what would be the market price ? 33 cents. As another illustration substitute guano, a manure. Then what would be the value of all the guano that could be piled up as a basis of money ; would it aid in the growth of a single cabbage ?

To resume the argument, it may be replied that, of course, all the gold in the circulation, and in the Banks of the world, cannot possibly be absolutely valueless.

I grant that if the object the Banks have, in storing up gold in their vaults, is for the sake of the valuable natural properties that it does possess, namely, its untarnishable brilliancy, its ductility, and its wonderful specific gravity, I say, if it is for the sake of these natural properties, it must be granted that they have an object, and perhaps a good one, but it must be said that they make a bad use of it by locking it up when it might be made into useful articles and ornaments. As it is, however, it must be affirmed that a \$10 gold piece, in this condition, is actually of no more value than the small piece of engraved paper called a \$10 bill, before the official name is put to it.

But it may be asked, why may not this immense quantity of the precious metals, circulating in a vast pool by themselves, cut off by the mint price from every useful purpose, why may they not be thrown into the market and be allowed to find their range? This is the reasonable thing, it must be admitted, and may be done; nay, by force of truth and nature it will be done, and is, in fact, the only thing that can be done, but it is fearful to think of the consequences. Unlock the vaults of Commerce and let 5 or 10 hundred millions of pounds, sterling, of gold find its range in the market, as a metal! What a crisis! To recapitulate the argument it has been shown, simply what no man has ever disputed, nay, what no man has ever dared to dispute, that utility, and utility alone, gives value. The value of gold, then depends upon its utility; its utility is confined to the arts, therefore the value of gold depends entirely upon its uses in the arts.

Again, whatever gold exists in the world, over and above the legitimate demands of the arts, is valueless. That portion used as money is clearly an overplus, therefore it is valueless. Finally I have demonstrated that (utility alone being the criterion of value) the real value of gold as money depends upon its market price as a metal.

As far as cash transactions are concerned, as a measure of value, gold might be called \$20, \$50, or \$100 P oz. as easily as £3 17s. 10½d., stg., and as long as the buyer and seller understood the nature of the measure it would be a perfect bargain; for, in case of a depreciation taking place, the holder of the gold, only, would loose, but it comes to be a very different thing and a much more serious piece of business when future payments are measured out in a standard that may depreciate 50 or 75 per cent. before the obligation falls due. A debt has, for instance, been contracted at the rate of £3 17s. 10½d. an ounce, and may be paid off at a future time with 5s. or 10s. an ounce. And let me ask in what condition are all the Bills, Bonds, Stocks, Funds and Debts that have been enumerated?

It is impossible to get out of it. The arguments that I have advanced bring every reasonable man to a deadlock; unreasonable men, of course, I have nothing to say to. I shall convince a few intelligent men, that is all I expect to do; the unthinking masses must follow when the influences which move them are brought to bear.

Let it be well noted, that there is nothing visionary or fanciful about the views I have now given

respecting the true nature of gold. No matter howsoever demoralizing the present prevailing monetary system may be found to be, to declare against it would but reveal ones impotency ; neither do I presume graciously to tender my advice. I have simply *read a law of nature*, without apology. I have, in fact, drawn an inference from premises which have never been disputed and which have been in the hands of writers on the subject ever since money was coined. Strange, indeed, that it has ever been thought otherwise.

As well attempt to bottle up the brilliant rays of the sun and store them away in all their brilliancy in some dark cave for safe-keeping, as to think of treasuring up value in the vaults of Banks, in the shape of a metal divorced from *use*.

Gold, however, has still a nominal value, but what creditor would be satisfied to have his debtors offer in payment of debts, that which is merely of nominal value ?

What a fearful verity there is expressed in the literal language of Scripture. "For riches certainly "make themselves wings ; they fly away."

According to Jacob, a writer of repute on the precious metals, in Great Britain the gold and silver existing in the shape of utensils, ornaments, jewellery and watches, is three or four times as great as in coin ; but this is considered as being far too high an estimate, even for wealthy England, and of course is less true in regard to the world at large. Humboldt, by far the most reliable authority, estimates the value in bullion, of Plate, Watches and Jewellery in 1827,

at only half the amount vested in coin ; and that in coin must, of course, be less than that vested in money.

Mr. McCulloch takes the produce of the mines, 1857, as £39,050,000 and divides it as follows :—

Arts..... £12,000,000

Wear and tear coin..... 7,500,000

Currency 19,550,000

Agreeing almost with Humboldt. This calculation makes out, on this supposition, that one-third of the whole stock of gold in the world is used up in the Arts, so that the present value of an oz. of gold is £3 17s. 10½d. £1 5s. 11½d., stg.

But not being possessed of any reliable data upon which to form an exact estimate of a depreciation greater than 50 per cent. let us fall back upon certainty.*

The fact of the mint price having remained unaltered since 1816, is positive proof of there being at least as much gold in the currency as is absorbed in the arts, (for had there been a greater demand for gold in the arts than in the currency the price must have risen, since the larger customer rules the market; such, however, has not been the case.) Also, it has already been proved, that every ounce of gold in the world, over and above the legitimate demand of the arts, is valueless.

* Suppose that two merchants go to the manufacturer to purchase a stock of boots and shoes, for instance, the largest buyer of the two rules the market; if the smallest buyer of the two gets the article at the same price as the largest buyer, that is considered a favour, and it is the very best that he can do. This is a principle patent to every business man.

To this valueless portion, which has been shown to be at least equal in quantity to that absorbed in the arts, add the latter quantity, which bears the value of £3 17s. 10½d. an ounce, then the true value of the whole will be but half the mint value.

So much are the thoughts of the generality of people under the control of habit and also of words, that it will be difficult for them to accept the conclusion of a perfectly just argument, that the gold in the Banks is valueless. To such I reply, you may apply whatever term you choose—call it valueless, valueable, or invaluable, it matters not; abolish the mint and the result will be just as I have said.

But again, Governments may refuse to abolish the mint. It does not matter whether they do or not, it will not alter the case. It has been proved conclusively that the mint price is not the true value of gold by at least 50 per cent. A sufficient decline to upset the monetary system of the world!

To sum up briefly the foregoing demonstration, let it be clearly understood that the mint price is nothing more nor less than a premium offered by Government for every ounce of gold brought from the mines. This premium of £3 17s. 10½d., stg., is paid out of the hard earnings, or capital, of the nation to the gold digger for every ounce brought to the mint; such a premium, creates a demand which is perfectly insatiable, and cannot, of course subside, as long as the premium is paid. This has been going on for centuries under the delusive idea that the mining of gold and silver is an inexhaustible source of wealth; but the fact is very different, for undoubt-

edly nine-tenths of all the gold in the world is over and above the real demands of the useful arts ; and, consequently, a gold dollar piece is only worth 10 cents, or with 10 cents of real value, one may purchase, at the present day, a dollar's worth of hard labour. This 90 per cent. decline, of course, is only my opinion, but it is an opinion formed upon good evidence, although I have not all the data to prove it. The fact of a decline of 50 per cent., as I have shown, is demonstrated by the most unassailable evidence.

The mint prices, £3 17s. 10½d. and 66s., having been established by law in 1816, and remaining to the present time, show conclusively that there is, *to say the very least*, as much of the precious metals in the circulation of the world, in the form of money, as has been appropriated for the supply of the arts ; consequently a gold dollar is worth only 50 cents, and the national debt of England, £800,000,000, is cut down to £400,000,000, stg.

This conclusion I hold to be incontrovertible.

THE NATURE OF MONEY DEFINED.

In offering a new theory of money, the first consideration would undoubtedly be regarding a measure of value.

It has been seen how the commercial world have been deluded under the Gold Régimé. That had Gold continued all along as a simple commodity, amenable only to the estimate of the market, it

would, at the present time, barely bring in the market 10 cents to the present dollar, that is to say, an axe, now valued at one dollar, is actually purchased for 10 cents of gold valued as any other commodity is, at the market price. Any commodity, as a measure of value, would be useless or worse, which was not adjusted every year, nay, every month, to the market price. But it may be asked, what can be substituted for it? I reply, *a first mortgage on Real Estate to half the extent of its value*; for example, a farm worth £1,000 would supply the owner, according to this rule, with £500 or \$2,000, then a dollar bill would be exactly worth the two-thousandth part of such a mortgage, and each of these parts would go into the circulation at the same price that a dollar bill now bears in trade.*

The dollar's worth of bread, sugar, cotton, as we now understand it, would be quite as well understood under the new system; and further, according to the accepted value of the dollar, would the lands of the Province be appraised and registered. Every dollar bill issued would be exactly of the same estimated value as in the instance given. The monied value of a farm worth \$1,000 would be \$500, each dollar of which would be of exactly the same estimated value, and if you will, made payable in real estate. But further, if our present money system is looked closely into, it will be seen that convertibility amounts to nothing, in fact; it is security that is the great desideratum, and any objection

*Good for one dollar, secured by improved lands of double the value.

that can be brought against this system is answered by the following :—

It is impossible that a commodity can be a measure of value except in a very limited degree. A bushel of wheat may purchase a pair of shoes, an umbrella, or a hat; twenty may buy a cow and sixty a horse, but wheat would be a very rude measure of value and it would just be a falling back upon barter.

A commodity, in the common acceptation, could not be a basis of money because the security for redemption is placed in the hands of the debtor; for example, a labourer works for a \$5 bill, that is, he hands his labour to the Bank, or makes the Bank his debtor. The laws enact that the bill shall be secured by gold; but into whose hands do the laws put the security? No less than into the hands of the Bank, who is the debtor—lucky idea this!

The creditor might, of course, recover his claim by process of law, but that is a very dilatory process, by which to secure money. It reminds me of the of the Dutchmen*

Again, either the gold in the Bank, is the money, or the paper said to represent it. If the basis is money, then the paper is nothing, and if the paper is money, the gold is nothing. One dollar cannot be made two, neither can the one certainly represent the other.

*John lent Peter a sum of money, and they thought a note should be made, so Peter signed the note. Here a difficulty arose, who should hold it; luckily it occurred to John that as Peter had the money to pay he should have the note to show when the money should be paid. Peter, in due time, came to pay John the money, and handing him the note also, remarked that it would show the money was paid.

Such are some of the strange anomalies that disfigure this abortive credit system. What then is true money ? It is neither gold, silver, copper, iron, leather, oyster-shells nor paper. Money is a mortgage upon real estate; it is not the paper upon which it is inscribed, but it is the contract itself. *It is an instrument holding a perfect security until the completion of the contract.* This, while it exists, will be a perfect medium of exchange, and therefore is true money.

The function of money is to effect the exchange of commodities. The capital of a nation, like an individual, is divided into fixed and moveable.

Fixed capital is either improved lands or city property.

The farm, of course, affords the best security and is the least liable to change.

Let us now enquire how a system, based upon these ideas, will operate. It is a fact that, at the present time, the Canadian farmer has not, in his power, the value of his land ; he is in possession of its natural properties, but under the present arrangements he cannot bring his capital to bear in the working of his farm. Suppose a farm worth £1,000, about £100 is all that a farmer can venture to get out of the Bank in the shape of discounts, and that must fall due so that he may be able to meet it with his crop. Here is £900 which is altogether useless to him; he cannot put it to any purpose whatever. It is true he may raise by mortgage, from any money-lender, a larger amount than he can at the Banks, but only by paying 50 per cent. more, interest, than

the Banks charge. Why this disadvantage to the man who, it may be said, possesses the only certain value in the country.

Let there be established a Bureau, such as the issue department of the Bank of England. Let the government of this office be put into the hands of the largest landed proprietors of the country, then, of course, the interest of the smaller proprietors would be looked after. Let this office be governed by the checks and balances which govern the Banks of England or Montreal: no difficulty about this. Properly appointed appraisers would value and register every lot of farm land in the Province which may be mortgaged to half value.

The farmer having a farm worth £1,000 represents his case to the issue department; they take a mortgage and give him dollar bills to the extent of, say half, viz: £500; he does not get the £500 on loan from the issue department; the issue department only coins the farmer's *own value* into small notes or money. The issue department is simply a machine for unlocking and handing over to the landed proprietor what properly belongs to him, and cannot charge a larger fee than what is necessary to pay expenses. This money will circulate and be a perfect measure of value; it will just take the place of dollar bills, and value commodities as dollar bills do.* This money cannot, like the assignats of France, depreciate; it regulates itself. If ever it happened that too much was in circulation, say, for example, so much as to cause a fall of 10 cents, or a dollar to pass for only 90

cents, the farmer would then pay off his mortgage at a profit of 11 per cent.; self interest would necessarily regulate this money. There can be no difficulty then as regards domestic exchanges. But what about foreign exchanges? Canada, for example, purchases from England £10,000, merchandise, she sends home, in payment, £9,000, grain, timber, &c. Here is a balance against us of £1,000. How is it paid at present, I ask? A Bank in Canada arranges for a credit account, with a similar institution in England, and the Canadian Bank sells the exchange to the merchant. I would therefore only substitute national money for the present system of Bank credit, and I ask would the nation not be the gainer? Canadian money would be valued by the Stock Market of London as her securities are now, but in far higher estimation.

Suppose that we purchase any thing in France, the bill could be paid by purchasing in the London market, with our national money or produce, anything that would suit the foreign payment. The idea that England wants anything else from Canada than useful products for her merchandise is preposterous, too much so to be entertained these times for a moment; but if we cannot give those natural products, she, of course, wants the balance of her account to go elsewhere to purchase provisions, &c., and if our national money would not suit her in a foreign market it could be exchanged in the London Market for that thing.

The idea of convertibility I meet in this way : such a money would be a perfect security to be held

for the purpose of exchanges and that is all that is wanted. The gold is never wanted under present circumstances, unless it is in a foreign market ; but gold now, cannot, under any circumstances, accomplish more than national money based upon real estate. As to city and town property it must be classed with moveable property and be placed upon the same footing. There are quite enough of improved lands to form a basis of money for the purpose of exchanging all the capital of the Province.

REMARKS.

Let me ask, shall we cast aside all traditional knowledge and all personal experience of the truthfulness, justice, and goodness of the human race. Man is the creature of a few years, as far as the present life is concerned ; but like the universe itself he is constructed upon the eternal principles of truth, justice and goodness ; therefore, I say, shall we ignore those noble, those eternal sentiments in man, and do him the injustice to aid in perpetuating a monetary system which has been proved to be baseless as the fabric of a dream. But the direction and control of these matters are not left to human choice. Let but this law of value be fully understood, and capital will then find its true and perfect security ; just as surely as water falls, just as certainly as smoke ascends, or as the noble ship in the stream swings around to her anchor, so certainly will capital find out and gravitate to its true and se-

cure pedestal. Ideas are at the basis of every system that prevails whether in Religion, Philosophy, Commerce, Manufactures, Mechanics, in that, whether in the Arts or Sciences, the change in any system whatever, is simply a change of ideas : no matter however solid established customs may appear, they are all afloat and subject to the great law of change. The prevailing monetary system is a concatenation of abortive ideas and is subject to the same law ; true ideas then will not only help out the old, but will inaugurate the new system of things ; and this will not be a very difficult process, though in many respects, a painful one. There will undoubtedly be much wringing of hands among large creditors, but regrets will be spent upon what has vanished long ago, and in many cases for what, in fact, was never possessed but in imagination. With regard to the immense amounts represented by gold and paper, the value and substance has fled, and now we have but to learn the fact.

It is but a common lesson in the life of every man that he must be brought down from the airy heights to which his imagination has elevated him ; and what is more solatory to us than to find at last that we have reached the bottom ? This is, in fact, the very thing which differences the wise man from the fool. The vain individual lives in the regions of fancy ; but the wise love the acquaintanceship of the real, even of the painful, if it is but reality.

Then of the debtor it may be said he is a real gainer ; he thought that he was owing £100 but now finds that it may be paid with £10. He is relieved of

a load of anxiety, and new energy and life is infused into him. Debtors are, in a very large degree, the men that carry forward the active operations of society. They are the men who have to struggle, and that often against great odds, and on them are often laid the heaviest burdens of active life. Because a man is a debtor he is not to be despised ; necessity often makes the ablest hands and the wisest heads. In fact the apparent loss to the creditor, incident to this change, may be said to measure the amount of unjust gain, which has been taken out of the hard earnings of the labourer, and by the law of nature it again reverts to the owner.

The mint price or measure of value has been proved to be quite the reverse of what it was universally believed to be, that is, a piece of gold *weighed* and a similar piece *valued* are not one and the same thing. To the culpable error on this point, may be traced all the derangement caused to commerce, which so amazes one.

In view of the results arrived at respecting gold —flaming accounts of new discoveries of mines, and their wonderful productiveness, can only be regarded with pain and melancholy regret. Since the labour of the many hundreds of thousands already engaged, is certainly thrown away ; for the labour of the miner is not regulated by the same law of supply and demand, by which other labour is.

Again, that class called Political Economists, who by theory and law affect to care for the interests of commerce, that they should arbitrarily place a fabulous value upon gold, thus actually taking it out of

the market, and then gravely set about accounting for its wonderful steadiness of value under the law of supply and demand, I regard as the most singular phenomena of the nineteenth century.

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